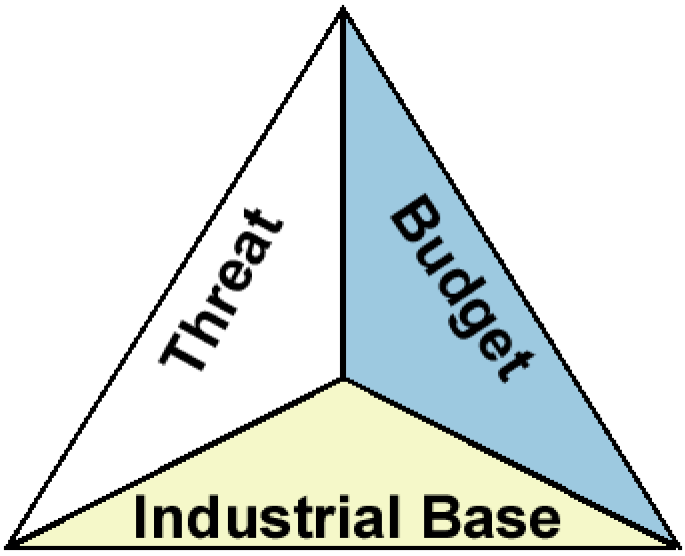
REVIEW RESOURCES

Lesson 5: Systems Acquisition Management: Acquisition Reform

Changing Defense Environment



Changing Defense Environment: Threat

Today, it is more challenging to identify the threat to our national security. Old enemies are gone, and technology poses new types of threats. For example, viruses and computer hackers can be serious threats to information systems that are critical to national security as well as battlefield operations.

Changing Defense Environment: Budget

Defense budgets are shrinking or holding constant. Modernization funds are falling behind demand.

One major driver behind Acquisition Reform is to generate savings to pay for acquisition programs that maintain force readiness levels with modern, supportable systems.

Changing Defense Environment: Industrial Base

Corporate mergers and less demand may cause the number of suppliers to dwindle. Fewer suppliers could mean higher costs, or even worse, no sources to build or maintain systems.

Back to Topics List Back to Top

Acquisition Reform: Major Areas of Focus

For Acquisition Reform to succeed it must have a wide focus. Some of the areas covered by

Acquisition Reform are:

- Supporting the Warfighter
- Improving Business Processes
- Reducing Life-Cycle Costs
- Offering Incentives
- Reforming Regulations
- Managing the Workforce
- Conducting Pilot Programs

Back to Topics List Back to Top

Supporting the Warfighter

The intent of Acquisition Reform is to provide better support to the warfighter by fostering open communications among key stakeholders (i.e., users, acquisition managers, and contractors) when developing system requirements documents and throughout the life cycle to ensure user needs are met.

Back to Topics List Back to Top

Improving Business Processes

Acquisition Reform encourages the elimination of cumbersome, outdated, and bureaucratic ways of doing business. The Federal Acquisition Streamlining Act of 1994 and the National Defense Authorization Act of 1996 made numerous changes in acquisition business processes, including:

- Emphasizing the use of electronic commerce.
- Raising the threshold for using simplified acquisition procedures.
- Using commercial specifications instead of traditional military specifications.
- Allowing a Single Process Initiative, which is a process for making block changes to existing contracts to replace multiple Government-unique manufacturing and management systems with common, facility-wide systems.
- Using market research to determine if a commercial or nondevelopmental item will satisfy the requirements.

Back to Topics List Back to Top

Reducing Life-Cycle Costs

Most Acquisition Reform tools help reduce or avoid life-cycle costs if they are implemented properly. Costs must be cut to compensate for shrinking budgets. Some initiatives that help reduce life-cycle costs include:

- Increasing Use of Commercial Specifications
- Cost As an Independent Variable (CAIV)
- Commercial and Nondevelopmental Items
- Value Engineering
- Earned Value
- Open Systems
- Single Process Initiative
- Past Performance
- Modeling and Simulation
- Integrated Process and Product Development (IPPD)

Increasing Use of Commercial Specifications

The cancellation of numerous military specifications and standards has created considerable savings, because multiple processes have been eliminated.

Cost As an Independent Variable (CAIV)

CAIV means setting life-cycle cost objectives for an acquisition up front and early. The process uses available dollars as an independent variable to determine cost, schedule, and performance tradeoffs early in and throughout the acquisition process.

Commercial and Nondevelopmental Items

Commercial items are "off-the-shelf" items. Nondevelopmental items are those previously developed by Federal, State, local, or allied governments to satisfy requirements. The potential benefits include not only lower life-cycle costs but also more rapid deployment, proven capability, and improved quality.

Value Engineering

Value engineering allows contractors to propose changes to a product and/or process and in turn reap some of the benefits.

Earned Value

Earned Value management allows both the contractor and the Government to use the same data for gathering insight into program progress and the contractor’s planning process.

Open Systems

Open Systems involves designing systems to remain flexible enough to incorporate changes without a major reinvention of the basic system.

Single Process Initiative

Single Process Initiative is a process for making block changes to existing contracts to replace multiple Government-unique manufacturing and management systems with common, facility-wide systems.

Past Performance

DOD is increasing the use of past performance as part of the source selection criteria used to choose best-value contractors. Using this criterion can potentially create savings by incentivizing contractors to improve performance to help future contracts.

Modeling and Simulation

Models and simulations are efficient and cost-effective sources of information that can help acquisition programs reduce cost, schedule, and performance risk. Models and simulations can also shorten life-cycle time, accelerate understanding of the system, and reduce expenditures of resources.

Integrated Process and Product Development (IPPD)

Integrated Process and Product Development (IPPD) saves costs by ensuring a "systems" approach to acquisition. IPPD helps prevent additions and/or changes late in the life cycle for factors "forgotten"

earlier, such as supportability, testability, and producibility.

Back to Topics List Back to Top

Offering Incentives

Acquisition Reform provides incentives to contractors. Contractors are provided incentives by sharing the savings resulting from their proposed changes in a product or process.

Back to Topics List Back to Top

Reforming Regulations

Acquisition Reform led to the following reforms in DOD regulations:

- The DOD 5000 documents were rewritten to minimize restrictive procedures and formats. By reducing the list of mandatory practices and removing discretionary items, the new 5000 documents are greatly reduced in bulk.
- Changes were made in the Federal Acquisition Regulation (FAR) to improve and streamline contracting and accounting processes.
- The Defense Acquisition Deskbook was created to serve as the repository for the discretionary information that was eliminated from the regulations. The Deskbook also contains the mandatory practices and has a searchable reference library.

Back to Topics List Back to Top

Managing the Workforce

The implementation of Acquisition Reform depends on the quality of the acquisition workforce. Enhancing the quality of the acquisition workforce includes:

- Mandatory training, education, experience, and certification requirements specified by the Defense Acquisition Workforce Improvement Act (DAWIA).
- New practices (e.g., flexible hours, telecommuting, consolidating, rightsizing) that allow managers to make the most of limited monetary and personnel resources.
- Use of Integrated Product Teams (IPTs) to implement IPPD.

Back to Topics List Back to Top

Conducting Pilot Programs

Pilot programs are used to innovate and highly tailor program strategies used in business processes of the acquisition process. Pilot programs are encouraged to maximize the use of commercial, industrial practices. Some of the objectives include implementing regulatory and statutory streamlining and eliminating unique Government requirements such as military specifications and military standards. The Joint Air-to-Surface Standoff Missile (JASSM) is an example of a pilot program.

Back to Topics List Back to Top

Why IPPD?

The ultimate goal of DOD acquisition is to provide the warfighters with quality equipment and systems

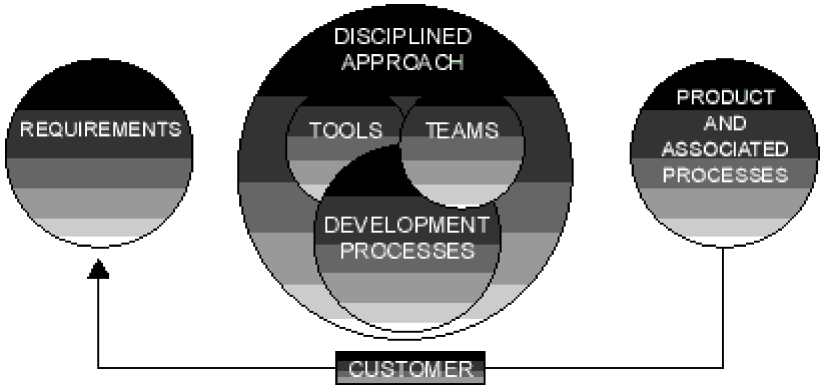
at an affordable cost and on a schedule that is responsive to the need. DOD has adopted the IPPD process to help meet this goal.

Back to Topics List Back to Top

What Is IPPD?

- Requirements
- Disciplined Approach
- Tools
- Teams
- Development Processes
- Product and Associated Processes
- Customer

DOD defines IPPD as "a management process that integrates all activities in the diagram below from product concept through production/field support, using a multifunctional team, to simultaneously optimize the product and its manufacturing and sustainment processes to meet cost and performance objectives." A generic iterative IPPD process is shown below.



Requirements

Requirements are generated by the customer through negotiations among many parties, each with serious and important concerns. IPPD emphasizes understanding that customer needs are essential. Integrating the user's requirements, logistical requirements, and the acquirer's budgetary and scheduling constraints is a fundamental challenge in DOD acquisition and is a key objective of IPPD.

Disciplined Approach

Disciplined Approach includes five general activities:

- Understanding the requirements.
- Outlining the approach.
- Planning the effort.
- Allocating resources.
- Executing and tracking the plan.

Decisions made using this approach should be reevaluated as a system matures and circumstances (budgetary, threat, technology) change. A disciplined approach provides a framework for utilizing tools, teams, and processes in a structured manner that is responsive to systematic improvement efforts.

Tools

Tools in this IPPD process include documents, information systems, methods, and technologies that can be fit into a generic shared framework that focuses on planning, executing, and tracking. Tools help define the product(s) being developed, delivered, or acted upon, and relate the elements of work to be accomplished to each other and to the end product.

Teams

Teams are central to the IPPD process. Teams are made up of everyone who has a stake in the outcome or product of the team, including the customer and suppliers. Collectively, team members should represent the know-how needed and have the ability to control the resources necessary for getting the job done. Teams are organized and behave so as to seek the best value solution to a product acquisition.

Development Processes

Development Processes are those activities that lead to both the end product and its associated processes. To ensure efficient use of resources, it is necessary to understand what activities are necessary and how they effect the product and each other. Examples include requirements analysis, configuration management, and detailed design drawings.

Product and Associated Processes

Product and Associated Processes include what is produced and provided to the customer. Customer satisfaction with the product, in terms of mission effectiveness, as well as operating and support aspects and costs, is the ultimate measure of the team's success.

Customer

The customer is the user and a team member and also the ultimate authority regarding the product. Any changes to the formal requirements driving the product/process development must come through negotiation with the customer.

Back to Topics List Back to Top

IPPD Benefits

Applying the IPPD management philosophy can result in significant benefits to the customer, DOD, and industry. The primary benefits are reduced cost and schedule time, increased quality, and reduced risk.

These gains are realized by the early integration of business, contracting, manufacturing, testing, training, and support considerations in the design process, resulting in fewer costly changes made later in the process.

Back to Topics List Back to Top

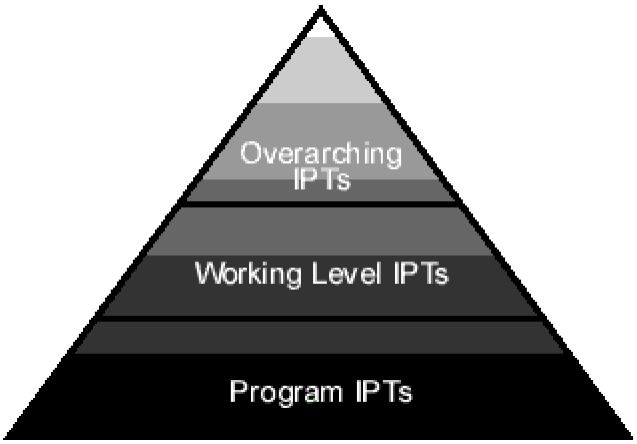
What Are IPTs?

Integrated Product Teams (IPTs) are the means through which IPPD is implemented. IPTs are cross-functional teams that are formed for the specific purpose of delivering a product for the customer. IPT members should have complementary skills and be committed to a common purpose.

Back to Topics List Back to Top

IPT Levels

For any major defense Acquisition Program there are generally three levels of Government-operated Integrated Product Teams.



Program IPTs

Program IPTs are formed by the Program Manager and often include the supporting contractor. These IPTs:

- Provide advice and recommendations to the Program Manager.
- Work day-to-day issues with the contractor.
- Integrate the Government and contractor efforts.
- Report program status and issues.

Working Level IPTs (WIPTs)

Working Level IPTs:

- Are formed in specific functional areas (e.g., cost, testing, contracting, engineering).
- Are led by the Program Manager or designated representative.
- Assist in developing strategies and program plans.
- Establish action plans and milestones.
- Surface and resolve issues.
- Refer unresolved issues to the Overarching IPT.

Overarching IPTs (OIPTs)

Overarching IPTs are formed at the highest levels with the Office of the Secretary of Defense to support all major acquisition programs. The primary roles of an OIPT are to:

- Provide strategic guidance.
- Help resolve issues early as a program proceeds through its acquisition life cycle.
- Elevate unresolvable issues to the DAB/IT OIPT.

Back to Topics List Back to Top